



Town of Lunenburg Proposed Annual Budget –FY2015

February 27, 2014

Kerry A. Speidel, Town Manager



FY2015 Recommendation

- Disclaimers
 - At this early stage in the process, the document is only “good” the day it is printed.
 - Use a number of assumptions early on, which firm up as we get closer to Town Meeting
 - Uncertainty around State Aid



FY2015 Recommendation

- Matching dollars with service level needs, i.e. no “flat” increases
- Minimal Strategic Investment for Maximum Impact
- Small amount of additional funding for road program, from Operating Funds, made possible by low health insurance premium renewal



FY2015 Recommendation

- Funding to cover all contractual salary increases
- Balanced budget proposal is based upon use of recurring revenues for operating costs, meaning there is NO request for a draw on either Free Cash or the Stabilization Fund
 - Deposit back to Stabilization Fund to get to 5%



FY2015 Recommendation

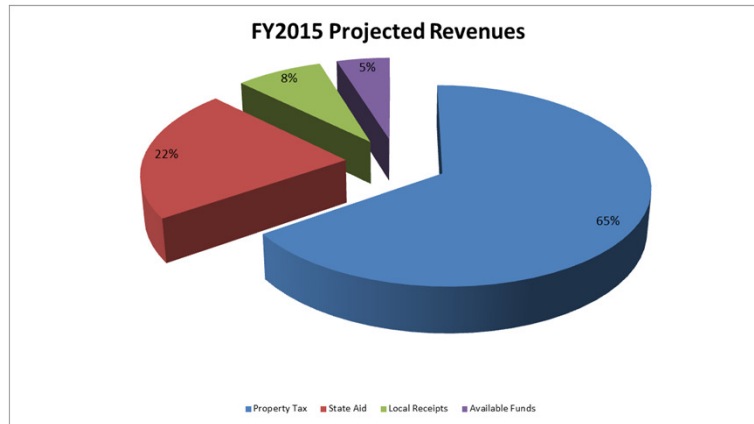
- Prepare Revenue Estimates
- Governor's Budget (House 2), issued
- Additional data on Local Receipts
- Health Insurance Renewal, received
- Retirement Assessment, received
- Monty Tech Assessment- preliminary



FY2015- Revenue Estimates

- Sources of Revenue
 - Property Tax
 - State Aid/ Cherry Sheet
 - Local Receipts
 - Available Funds

FY2015- Revenue Estimates



FY2015 Revenue Estimates

	FY2014	FY2015	Dollar Increase	Percent
	Appropriated	TM	over Prior Year	Increase
Revenue	Recommend.			
Property Tax	\$ 20,243,292	\$ 20,935,880	\$ 692,588	3.42%
State Aid	\$ 6,676,007	\$ 7,015,539	\$ 339,532	5.09%
Local Receipts	\$ 2,545,361	\$ 2,523,698	\$ (21,663)	-0.85%
Available Funds	\$ 1,869,510	\$ 1,547,117	\$ (322,393)	-17.24%
total:	\$ 31,334,169	\$ 32,022,234	\$ 688,065	2.20%



FY2015- Revenue Estimates

- Property Tax –
 - Prior Year base plus 2 ½% increase (\$485,646)
 - Estimate for New Growth (\$150,000)
 - Overrides & Exclusions- capital, debt
 - No Override proposed
 - Debt Exclusion slight decrease of \$9,371
 - No assumption for new HS/MS project yet, awaiting Cash Flow Analysis

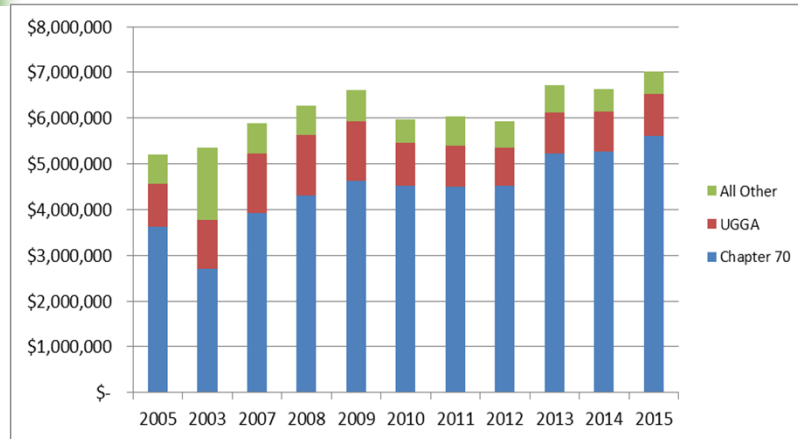
State Law requires you to assume 100% collection rate
Estimate for FY2015 = \$20,935,880



FY2015- Revenue Estimates

- State Aid-
 - House 2 – Governor's Budget Proposal
 - Will use House 2 as basis for the first time in many years
 - 5.09% increase; almost all in Chapter 70
 - "An improving economy and revenue outlook, including expected gains in Lottery revenue, warrants a much better municipal and school aid program for FY2015 than the one proposed by the Governor in House 2."

FY2015 Revenue Estimates- State Aid



FY2015- Revenue Estimates

- Local Receipts – **decreased \$21,663, or 0.85%**
 - Motor Vehicle Excise Tax, licenses, permits, fees, fines, investment income
 - Elastic Revenues- very dependent upon the economy
 - MVX is the largest component; first indication of what is happening is through Commitment #1, issued in February
 - Commitment was up \$56,159, or 5.52%
 - Estimate for FY2015, **2.0%** increase (each 1% = \$14k)



FY2015 Revenue Estimates

- Local Receipts
 - No increases or decreases except where noted
 - Supplemental Tax- \$17,500 [\$970k], decrease
 - Local Options Meals Tax
 - In effect 01/01/10; \$68K annually, 2.5% increase
 - Fines & Forfeits, up \$8,600, 25%
 - Medicare Part D Reimbursement- eliminated



FY2015- Revenue Estimates

- Available Funds
 - Catch All Category
 - Some one-time revenues, causing a wide variance from year to year
 - SBA Reimbursement - \$534,199
 - Water & Sewer Betterments
 - Fully fund associated debt service & related costs
 - Sewer Enterprise Fund to fund Indirect Costs
 - Prior Year Unexpended Articles for Capital, \$67,398
 - Free Cash Appropriation to Stabilization Fund, \$74,729

FY2015- Revenue Estimates Summary

	FY2014	FY2015	Dollar Increase	Percent
	Appropriated	TM	over Prior Year	Increase
Revenue		Recommend.		
Property Tax	\$ 20,243,292	\$ 20,935,880	\$ 692,588	3.42%
State Aid	\$ 6,676,007	\$ 7,015,539	\$ 339,532	5.09%
Local Receipts	\$ 2,545,361	\$ 2,523,698	\$ (21,663)	-0.85%
Available Funds	\$ 1,869,510	\$ 1,547,117	\$ (322,393)	-17.24%
total:	\$ 31,334,169	\$ 32,022,234	\$ 688,065	2.20%

- Areas of interest:

State Aid? Speaker DeLeo said the Legislature will do better for cities & towns than the Governor did

Expenditures

- Service Provider Organization
 - Demand for services doesn't decrease due to lack of funding
- Town provides services
 - Services to students
 - Services to seniors
 - Services to residents
- Focus on service levels, not employees
- Allocating resources to services



Expenditures

- Expenditures are divided into:
 - Functional Categories (Departments)
 - Non-Appropriated Costs
 - Sewer Enterprise Fund (self supporting)
 - Water Enterprise Fund (self-supporting)
 - Solid Waste Disposal Enterprise Fund
 - Other Warrant Articles with a Financial Impact



Forecast- Projected Deficits

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Revenue	\$ 31,513,561	\$ 31,717,569	\$ 32,429,453	\$ 33,219,066	\$ 33,966,723	\$ 34,827,211
Expenditures	\$ 31,479,221	\$ 32,267,473	\$ 33,125,018	\$ 34,116,982	\$ 35,116,414	\$ 36,144,326
Difference:	\$ 34,340	\$ (549,904)	\$ (695,565)	\$ (897,916)	\$ (1,149,690)	\$ (1,317,116)



Expenditures

- Each Department was given a target number
 - Targets still produced a deficit of \$549,904
- Departments could submit requests over-target
 - Over-target requests = \$1,958,002 (\$1,158,002)
 - Total deficit = \$2,507,906 (\$1,707,906)
 - Over-target requests include \$800k for Pavement Management



FY2015 Expenditures

- Able to fund Target Budget Level
 - Proposed Chapter 70 Increase
 - Much better than expected Health Insurance Premium Renewal
 - Still leaves School Department \$450k short of Superintendent's Recommendation
 - Other departments maintain FY14 service levels, with very minor exceptions

FY2015 Expenditures-

- **Non-Discretionary-** \$7,386,483 or 23.13%
 - Debt Service, Insurances, Retirement Assessment
 - Cherry Sheet Charges
- **Less-Discretionary-** \$19,746,495 or 61.84%
 - Education
 - Public Safety
 - DPW, some services, i.e. plowing
- **Discretionary-** \$4,799,547 or 15.03%
 - DPW- some services- road maintenance, upkeep of public lands
 - Library & Senior Center
 - Administrative & Land Use Offices
 - Capital
 - Other Warrant Articles

FY2015 Expenditures- Non-Discretionary- Debt Service

- Total appropriation = \$2,808,117
- Decrease of \$55,062
- Includes annual payment for Town's share of Sewer Project
- Does not yet include estimate for HS/ MS Construction Project

DEBT SERVICE SUMMARY				
	FY2012	FY2013	FY2014	FY2015
Total: Debt Service	\$2,775,868	\$ 2,934,410	\$ 2,863,179	\$ 2,808,117
offsets:				
Tax	\$ 865,018	\$907,338	\$ 865,018	\$ 874,389
Sewer Betterment	\$ 773,045	\$781,319	\$ 773,045	\$ 770,439
Water Betterment	\$ 62,781	\$ 62,781	\$ 62,781	\$ 62,781
Septic Receipts	\$ 10,872	\$ 10,872	\$ 10,872	\$ 10,868
Bond Premium	\$ 3,475	\$ 1,260	\$ 3,475	\$ 3,178
MSBA	\$ 559,057	\$ 559,057	\$ 559,057	\$ 534,199
Net Impact: General Fund	\$ 501,619	\$ 611,783	\$ 588,930	\$ 552,263

FY2015 Expenditures- Non-Discretionary, Debt Service

■ From FY2015 – 2019 Forecast

	FY2015	FY2016	FY2017	FY2018	FY2019
Total: Debt Service	\$ 2,841,867	\$ 2,793,290	\$ 2,658,376	\$ 2,419,614	\$ 2,381,333
offsets:					
Tax	\$ 849,531	\$ 835,233	\$ 814,650	\$ 729,135	\$ 729,135
Sewer Betterment	\$ 770,439	\$ 756,878	\$ 748,441	\$ 742,576	\$ 742,576
Water Betterment	\$ 62,781	\$ 62,781	\$ 62,781	\$ 62,781	\$ 62,781
Septic Receipts	\$ 10,868	\$ 10,868	\$ 10,868	\$ 10,868	\$ 10,868
Bond Premium	\$ 3,178	\$ 2,810	\$ 2,424	\$ 2,074	\$ 2,074
MSBA	\$ 559,057	\$ 559,057	\$ 559,057	\$ 559,057	\$ 559,057
Net Impact: General Fund	\$ 586,013	\$ 565,663	\$ 460,154	\$ 313,123	\$ 274,843

■ Moving forward, target reduction to Pavement Management

FY2015 Expenditures, Non- Discretionary, Insurances

■ Insurances

- 0% increase in General Liability & 0% Worker's Compensation
 - Locked in no greater than 2.5% for FY2016
- 5% increase Police/ Fire IOD
- Health Insurance Renewal 0.00%; reduction of \$165k,
 - Town will spend less in health insurance in FY2015 than it did in FY2012

■ Retirement Assessment

- Increase of \$105,956, or 14.6%
- Final year of phase in of new actuarial valuation method, plus one costly early retirement



FY2015 Expenditures- Less Discretionary

■ Education

- Lunenburg Public Schools
 - Superintendent's Recommended budget is \$17,245,681
 - Town Manager's Recommended budget is \$16,687,431, represents a 3.5%
 - Gap is \$558,250 (reduced to \$450,250 with health insurance renewal factored in)
 - Gap to be reduced by another \$30k from Impact of Net Metering Credits
 - TM Recommendation is an increase of \$564,309
 - \$345,735 from Chapter 70
 - \$218,574 from Local Receipts
 - It is possible that we will see an additional amount of Chapter 70 based upon Legislature's review of budget
- Monty Tech
 - Unofficial Assessment is \$778,046, represents a 9.81% increase (2.8% net)
 - Increase includes a payment of \$49,244 which represents FY14 change in Minimum Contribution
 - Town may want to pay above in FY14 if at all possible



FY2015 Expenditures- Less Discretionary, Public Safety

■ Police

- 14 FT & 15 Reserve Officers
- 2 Patrols on 24/7 (21 shifts) plus 1 Traffic and 1 Community Outreach for 8 shifts/ week
- Above Target Request for 3 FT Officers + additional funding for Desk Officer (\$209,500)
- Request not included due to lack of funding
- New Revenue: Towing Fees, Local Traffic Fines
- New Opportunities: Regionalized Services



FY2015 Expenditures- Less Discretionary, Public Safety

■ Fire

- Coverage provided 6:00 a.m. – 6:00 p.m., M – F, plus holiday weekends
- Response times remain a concern, but best we can do with current staffing level
- NFPA & American Heart Association recommends on scene in 4 minutes
- Above Target Request (\$228k) to provide some level of 24/7 coverage
- Request not included due to lack of funding
- Looking at increasing Ambulance Fees



FY2015 Expenditures- Less Discretionary, Public Safety

■ Dispatch

- Transitioned to Regional Dispatch 7/1/13
- Loss of 24/7 coverage in Public Safety Building
- Backfill 8-12 hours per day
- Desk Officer also covers Lockup Facility



FY2015 Expenditures- Public Safety, Initiatives/ Efficiencies

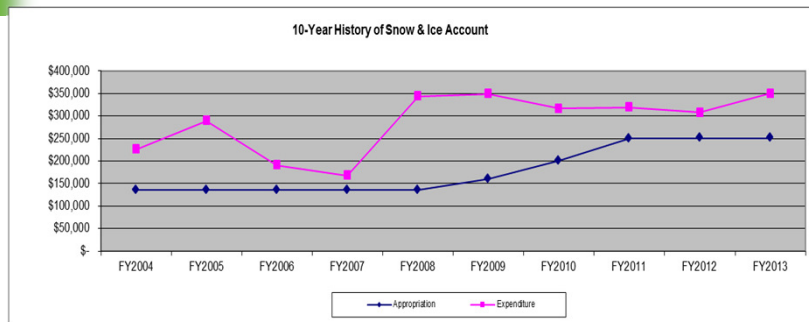
- Finalize feasibility study for Regional Lockup
- Implement Municipal Towing Contractor Service Policy & Agreement
- Implement K-9 Program
- Review current bylaws & update fines for Traffic Infractions
- Implement train the trainer program
- Review current Ambulance Fees; increase to cover cost of service



FY2015 Expenditures- Less Discretionary

- Department of Public Works
 - Level Service to remain constant
 - Increase Snow & Ice appropriation to \$260k
 - \$128k funding to add Ch. 90 for road maintenance; should remain as operational item.
- Above Target request of \$800k for full implementation of Pavement Management Plan
- Request not funded due to lack of revenue

FY2015 Expenditures- Department of Public Works



Snow & Ice	Appropriation	Expenditure
FY2009	\$ 160,000	\$ 349,408
FY2010	\$ 200,000	\$ 316,382
FY2011	\$ 250,000	\$ 318,963
FY2012	\$ 250,525	\$ 307,433
FY2013	\$ 250,525	\$ 350,415
	10-year average:	\$ 286,037.91
	5-year average:	\$ 328,520.06

FY2015 Expenditures- Department of Public Works

■ Initiatives/ Efficiencies

- Fully implement modern Fleet Management Software to make better, data driven decisions; reduce maintenance & operating costs; ensure regulatory compliance & improve efficiency through work planning. Status: completed
- Implement system of planning, tracking & reporting daily work to easily demonstrate departmental workload & need for additional funding. Status: system developed & in use
- Continue to evaluate all roadways in need of maintenance to determine whether grant funding is available. Status: engineer hired and updating PMP.



FY2015 Expenditures- Public Buildings/ Facilities

- Create separate appropriation, under DPW
- Fund all building utility costs, expect Library in this cost center
- Central oversight of utilities

- Efficiencies/ Opportunities
 - RFP for Performance Contracting to determine whether there are additional opportunities for energy efficiency projects. Status: will move forward after winter operations. Also working with GCTF
 - Undertake cost analysis to determine if it makes sense to purchase street lights. Status: Need to find another consultant
 - Complete negotiations on Solar Array project(s); purchase of net metering credits to reduce overall energy costs. Budget does not yet assume any savings as a result of credits. Status: Completed



FY2015 Expenditures- Discretionary, Library

- Level of Service to remain constant

- FY15 recommendation is to meet MAR (minimum appropriation requirement) = \$361,192
- \$353,205 from General Fund
- \$7,987 from Revolving Fund
- Utility costs stay with Library due to MAR calculation



FY2015 Expenditures- Administration & Land Use Offices

- Same staffing levels as FY15, with one exception
- Increase IT staff from 1.5 FTE to 2.25 FTE (FY12 level 2.5 FTE)
 - Host email & email archiving internally- \$7k annual savings
 - Improve & update website content
 - Develop self help intranet site; other training opportunities
- Replace AA in BOS Office with Assistant to Town Manager upon incumbent's retirement
- Replace Planning Director with Director of Land Use
 - Greater coordination among offices
 - Capitalize on economic development opportunities
 - Savings in Legal Expenses



FY2015 Expenditures- Administration & Land Use Offices

- **Efficiencies/ Opportunities**
 - Online Purchase Requisition- completed
 - Coordination of Utility Bills- completed
 - Upgrade Munis software to allow for electronic distribution of Direct Deposit Advices & W-2's
 - Additional funding for Tax Title processing to address backlog

FY2015 Expenditures- Discretionary, Capital Budget

Item		Priority 1	Priority 2	Priority 3	Cash Impact
School Asbestos	1	\$ 138,000			\$ 138,000
Fire Department, Engine 1	2	\$ 550,000			\$ 125,000
Police Department, Radio Infrastructure	3	\$ 40,000			\$ 40,000
Police Department, Marked Vehicle	4	\$ 46,000			\$ 46,000
Public Safety, Epoxy Floors	5	\$ 12,000			\$ 12,000
Police Department, rifles, shotguns, shields	6	\$ 14,000			\$ 14,000
School Department, Upgrade Control System	7	\$ 14,000			\$ 14,000
School Technology	8	\$ 25,000			\$ 25,000
Town Technology	9	\$ 40,000			\$ 40,000
Senior Center Carpeting	10	\$ 10,000			\$ 10,000
Fire Department, Car 2	11		\$ 30,000		\$ 30,000
DPW, Asphalt Roller	12		\$ 35,000		\$ 35,000
Marshall Park, Parking Lot	13		\$ 37,000		\$ 37,000
Senior Center, HVAC Repairs	14		\$ 15,798		\$ 15,798
Town Technology	15		\$ 14,400		\$ 14,400
School Technology	16		\$ 25,000		\$ 25,000
DPW, Street Sweeper	17			\$ 180,000	\$ -
Senior Center, Sprinkler	18			\$ 11,430	\$ 11,430
Library, Carpet	19			\$ 36,524	\$ 36,524
Town Hall, Painting	20			\$ 40,000	\$ -
Ritter, HVAC	21			\$ 20,000	\$ 20,000
Shade Structure, THMS	22			\$ 41,766	\$ -
Police Department, Speed Sign w/ Recording	23			\$ 17,900	\$ -
total:		\$ 889,000	\$ 157,198	\$ 347,620	\$ 689,152
				\$ 1,393,818	

FY2015 Expenditures-

■ Recycling/ Solid Waste

- Recycling Program & Associated Costs, \$193,574
- Solid Waste Disposal at muni buildings
- HHW Program at Devens

■ Non-Appropriated Costs

- Regional Transit Assessments
- Tuition Assessments
- Mosquito Control District
- Deposit to Stabilization Fund, from Free Cash, to get balance back to 5% of Operations



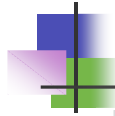
FY2015 Expenditures- Conclusions

- Fairest, most equitable distribution of funding
- Fully funds all contractual obligations
- Maintaining Level Services (at FY15 Level) to the greatest extent possible;
- Balanced based upon use of recurring revenues for operating costs; no draw on Stabilization Fund or Free Cash
- Current surplus \$90,709



Conclusion- Next Steps

- Finance Committee will begin a detailed review of the FY15 Budget- March 6
- House Ways & Means Budget, mid-April
- Town Meeting: May 3
- Town Election: May 17



Proposed FinCom Schedule

Thursday, March 6, 2014		
	7:00	Library
	7:30	Capital Planning
	8:00	DPW
	8:45	Unclassified (Employee Benefits), Debt Service
Thursday, March 13, 2014		
	7:00	Police
	7:30	Fire
	8:00	Land Use & Administration
Thursday, March 20, 2014		
	7:00	Lunenburg Public Schools
	8:00	Monty Tech
	8:30	Council on Aging
Thursday, March 27, 2014		
	7:00	Sewer Enterprise
	7:30	All Other Monied Articles
	8:00	FY2015 Budget Public Hearing